

**MINUTES OF THE
JOINT PUBLIC EDUCATION APPROPRIATIONS SUBCOMMITTEE MEETING
TUESDAY, JANUARY 11, 2011, 1:00 P.M.
Room 445, State Capitol**

Members Present: Sen. Chris Buttars, Co-Chair
Rep. Merlynn T. Newbold, Co-Chair
Rep. Ken Sumsion, House Vice-Chair
Sen. Stuart Adams
Sen. Lyle Hillyard
Sen. Karen W. Morgan
Sen. Howard Stephenson
Sen. Daniel Thatcher
Rep. Tim M. Cosgrove
Rep. Steve Eliason
Rep. Francis D. Gibson
Rep. Steve Handy
Rep. Ken Ivory
Rep. Carol Spackman Moss
Rep. Jim Nielson
Rep. Bill Wright

Members Excused: Rep. LaVar Christensen

Members Absent: Rep. Marie H. Poulson

Staff Present: Ben Leishman, Legislative Fiscal Analyst
Karen C. Allred, Secretary

Public Speakers Present: Larry Shumway, State Superintendent, Utah State Office of Education
Dave Thomas, Board Member, Utah State Board of Education
Martell Menlove, Deputy Superintendent, Utah State Office of Education
Todd Hauber, Associate Superintendent, Utah State Office of Education

A list of visitors and a copy of handouts are filed with the Subcommittee minutes.

Co-Chair Newbold called the meeting to order at 2:33 P.M.

1. Introduction

Co-Chair Newbold asked the members of the subcommittee to introduce themselves and tell which area of the State they represent.

2. Minutes

Minutes of the February 10 and 11, and October 5, 2010 meetings will be approved at the next meeting to give subcommittee members an opportunity to read through them.

3. Education Budget Overview

Rep. Newbold explained to the committee that Utah has been rated one of the strongest states in the nation financially. The base budget will need to be cut for FY2012 because even though revenues will be up this year, there will be more requests. There is also a structural imbalance, which is one-time money funding ongoing programs. She asked the subcommittee to take a close, in-depth look at all line items, looking for items that can be eliminated, changed, or funded differently.

Ben Leishman, Analyst, explained the Budgeting Overview for FY 2012, contained in the subcommittee binders. For the first time in the past few years, revenue is increasing, however there are challenges such as the structural deficits, student enrollment growth, medicaid, and retirement. There is one-time money in the Rainy Day Fund, but not enough to cover the deficit and if used, would create a similar problem next year. The Executive Appropriations Committee asked each subcommittee to prepare a base budget bill equal to ongoing state funds in the current year, adjusted to a level that eliminates the structural deficits. Rule requires that the base budget bill be acted upon by the 10th day of the session.

Rep. Nielson asked if the 7% reduction is off of last years budget and does not account for any growth. Mr. Leishman responded that he was correct.

4. Detailed Review of Education Programs

Co-chair Newbold said that 7-10% needs to be cut from the base budget and asked the subcommittee to consider ways to do so as the line items are discussed in detail. She recognized Superintendent Larry Shumway and Deputy Superintendent Martell Menlove, Utah State Office of Education, and Dave Thomas, Utah State School Board, and asked them to come to the speaker table to answer questions from the subcommittee.

Mr. Leishman explained the Minimum School Program which contains three portions. First is the Basic School program which is WPU (weighted pupil unit) driven, adjusted with student growth, and is considered "above the line" programs. Second is the Related to School Programs which is "below the line" and are programs that compliment the Basic School Program. These programs generally provide funding to a specific populations group or program. Third is the Voted and Board Leeways which are two State Property Tax Guarantee Programs.

Basic School Program -- Mr. Leishman explained within the Basic School Program is the Regular Basic School Program which includes the line items of Kindergarten, Grades 1-12, Necessarily Existent Small Schools (which is a program to help districts with remote locations fund schools that have no school within 45-75 minutes away), Professional Staff, and Administrative Costs.

Rep. Ivory asked if the Necessarily Existent Small Schools is a program that has a supplement to the WPU for schools in those categories and how is it allocated. Mr. Leishman responded that a supplement is added to the WPU because those school's are more expensive to run. It is allocated based on the number of students in the qualifying school by a formula that takes the prior year average daily membership, grade span and the size of the school.

Rep. Nielson asked if the additional WPU's means that those students get counted again. Mr. Leishman replied that the districts are given WPU funding and then supplemental funds based on the formula mentioned. Superintendent Shumway explained that an example of a Necessarily Existent Small School is Dugway High School, in the Tooele District, so the funds go to the district to distribute in that school.

Rep. Newbold asked why it costs more money to run a Necessarily Existent Small School than a Charter school and how they compare. Superintendent Shumway responded that the most remote and small schools, with 8 or 12 students having to travel to a school 200 miles away on gravel roads, need extra funding. The smaller the school the more it costs to fund per student. Mr. Menlove gave an example of Grouse Creek Elementary in the north west corner of the State which has 18 students in grades K-8, and 2 teachers. There are 38 additional WPU's allocated to that school. If the school approaches 100 students the allotment is less, this program has regressive funding, the larger the school gets, the less additional WPU's.

Co-chair Buttars asked what is this program providing for the money. What about electronic high school and distance learning? Superintendent Shumway responded that a teachers has to be provided, no matter the size. If there are only 12 students there is not enough money to have a traditional school.

Sen. Stephenson commented that Charter Schools are usually at least a hundred students. His opinion is that these smaller schools are used to this money, but are not necessarily getting a better education than Charter Schools that are using less money per student. He suggests giving these small schools options to go electronic to serve the students and public better. Superintendent Shumway responded that these small schools rely heavily on technology. These small schools cost more, but the funding is necessary.

There was much discussion on this topic with comments from Reps. Eliason, Wright, Ivory, Nielson and Co-Chair Newbold, and responses from Mr. Leishman, Superintendent Shumway and Mr. Menlove. More information will be provided by the USOE on research done in neighboring states with these type schools, and how technology is being used.

Co-Chair Newbold asked about the pilot programs that have been set up to compensate teachers with advanced degrees and better performance; and how these programs are implemented and evaluated. Superintendent Shumway replied that the pilots have had a year of planning, and are just half way through the actual testing . If funds are used for this type

program there would need to be a policy shift. Mr. Menlove responded that five schools are participating. These schools wrote a plan of how the program would be implemented, a certain amount of funding was given and an evaluation will probably be available in September. Superintendent Shumway reported that a national study showed no relationship between performance pay and student behavior.

Sen. Adams asked for clarification on step and lanes, whether the education community shows improvement in student behavior according to teacher compensation, what makes a good teacher and can a good teacher be compensated adequately. Superintendent Shumway responded that the step and lane program was set up to provide equal pay for equal work. Performance pay has been shown to have no significant affect on student achievement. There is experimentation but no solid results. Mr. Menlove responded that the performance pilot covers 3 areas: student achievement, teacher performance and parent satisfaction, and are compensated with a certain percentage in each area. Mr. Thomas stated that the State Board of Education's reform plan is to look at performance pay and is optimistic that the pilot programs will show results.

There was much discussion on teacher performance compensation by Reps. Ivory, Moss, Gibson, Sen. Hillyard, and Co-Chair Buttars. Superintendent Shumway and Mr. Thomas responded to the questions and comments.

Rep. Newbold asked if each district and charter school is required to have a business administrator. Mr. Leishman said that statute states that each district is required to have a business administrator and he will find out about the charter schools.

Restricted Basic School Program -- Mr. Leishman explained the Restricted Basic School Program where funding is restricted to certain functions. This program includes Special Education, Career and Technology Education, (a program for students who use applied technology education either at ATC campuses, or in the public schools), and Class Size Reduction (unrestricted money originally funded for grades K-8).

Rep. Eliason asked if, since the formula was made 20 years ago, there has been any kind of study made to see if that formula is still adequate or sufficient. Mr. Leishman replied that there have been no formal reports that he knows of, but the program has been adjusted for student growth, and the value of the WPU has been adjusted. Superintendent Shumway commented that Special Education is carefully scrutinized in ongoing reviews.

Sen. Hillyard said the Federal Government has mandated Special Education be funded at a certain percent of budget, and asked how this stimulus funding has impacted the budgeted figures. Superintendent Shumway replied there has been additional funding and this funding has augmented this program. Districts have been careful to not use the funding as ongoing. The level of federal funding compared to need has been on a downward slope. Mr. Leishman commented that no federal funds are represented in the Minimum School Program and that the funds flow through the Utah State Office of Education's budget. Todd Hauber, Associate Superintendent, Utah State Office of Education, reported that the ARRA Funding

can be used for compensation, equipment and facilities. A review process provides authorization to districts when funds are used for equipment and facilities.

Co-Chair Buttars expressed a desire to see how districts are spending the Federal Funds. Superintendent Shumway responded that it is available on line at www.transparentutah.gov.

Rep. Nielson asked what the Career and Technology Education (CTE) funding pays for. Mr. Leishman and Superintendent Shumway responded that the vast majority of the funding is for students attending Applied Technology in districts and ATC Campuses.

Rep. Eliason asked if there are any studies that link the CTE programs funded and the availability of jobs and need in today's economy. Superintendent Shumway replied that there is a very close linkage and that the courses are aligned with the job market, and are continually adjusted to changes in the work force.

Co-Chair Newbold asked how the number of WPU's for the CTE programs was decided. Mr. Leishman and Superintendent Shumway responded that the number of WPU's allowed is based on the previous year CTE course attendance and projected for new growth. The formula is not a one-to-one WPU to student allotment, but goes out on a different distribution formula.

Co-Chair Buttars, Reps. Sumsion, Handy, Eliason, Cosgrove, Ivory, Neilson and Sen. Stephenson made comments about the funding for class size and if it is a useful line item and the possibility of rolling this line item into the WPU. Mr. Leishman responded that moving a program into another changes the distribution of funding for that program. If the money is rolled into the WPU value, the money for all programs funded by the WPU will be increased. Superintendent Shumway commented that if the Class Size Reduction line item were to be rolled into the Basic School Program (above the line), it would be best to have it rolled into The Regular Basic School Program line items of Kindergarten and Grades 1-12. Mr. Thomas responded that research on class size shows that in grades 1-6, class size reduction has a noticeable improvement, and after 6th grade it seems to make no difference. Superintendent Shumway commented that this line item was originally added to send a message that class size was important and was being dealt with. He commented that the survey information from parents and teachers that the USOE has, lists smaller classes at the top of the list. Sen. Stephenson commented that in the past, he and Sen. Morgan have tried to pass legislation that this money be tied to a certain class size.

Related to the Basics Program -- Mr. Leishman explained that the Related to Basic Programs are expenditures for "below the line programs". These programs supplement the basic school programs. The programs discussed were Pupil Transportation, Guarantee Transportation Levy, FY2011 Flexible Allocation WPU Distribution (a flexible sum or money that goes to school districts and charter schools based on the total of WPU's, to help manage the budget reductions), and Interventions for Student Success Block Grant.

Co-Chair Buttars made a comment on cutting the high school pupil transportation, especially in Urban areas.

Rep. Eliason asked if there are cost per students transported figures. Superintendent Shumway responded yes, the cost per student transported has been going down and is **\$526** per student per year. Co-Chair Buttars would like the cost per student broken down to cost per high school student.

Co-Chair Newbold asked why it was determined to fund for social security and retirement separately from the WPU. Mr. Leishman responded that school districts requested there be separate funding isolated from salaries. Superintendent Shumway commented that previously the Social Security and Retirement was funded as part of the WPU.

Rep. Ivory asked if this was a line item that could be used for other programs, and could it be rolled back into the WPU. Superintendent Shumway responded that if it were rolled above the line, it would be an artificial increase in the WPU. The administrative cost is very minimal.

Rep. Nielson commented if a line item is eliminated, it eliminates a purpose and asked if there is anything that prevents the districts from continuing a certain program that was eliminated as a line item. Superintendent Shumway replied that a program that was eliminated can be continued by a district, but if a program is important there is a risk it may not continue, if the particular line item is eliminated. Rep. Neilson asked if the State Board of Education can make that decision and Superintendent Shumway said there have not been state funds allocated that the State Board could earmark those funds.

Co-Chair Newbold asked why each district is counted individually when setting the base budget, but all of the charter schools are counted as one. Superintendent Shumway said that this has been an ongoing debate. As charter schools increase, the State Board is reconsidering how to make this equitable.

5. Adjourn

Co-Chair Newbold announced a demonstration that one of the programs within the Public Education Subcommittee, the Leonardo, will be doing. The subcommittee was given a handout with details previously.

MOTION: Rep. Nielson moved to adjourn.

Co-Chair Newbold adjourned the meeting at 5:31 P.M.

Minutes were reported by Karen C. Allred, Senate Secretary